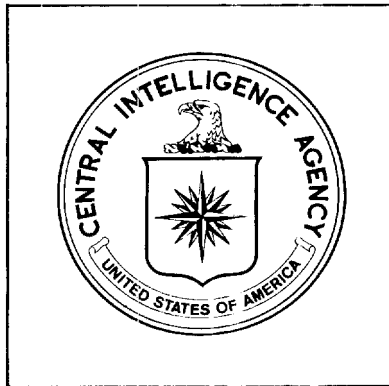


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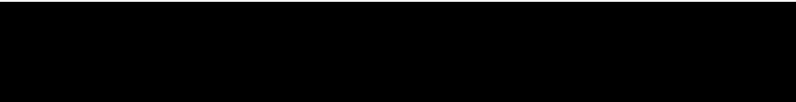
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WESTERN EUROPE – CANADA – INTERNATIONAL ORGANIZATIONS

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Ireland and the EC

The government in Dublin has concluded that if London decides to bolt the EC, Ireland would lose more by pulling out than by staying in. The Republic will sustain a loss if the UK withdraws, but a recent Dublin survey suggests that the country's annual GNP would only drop approximately \$235 million if Ireland remains in, but \$470 million if Dublin withdraws along with London.

Although the present Dublin government is in favor of staying in, a British withdrawal would pose difficulties for relations with Northern Ireland. The border between the two parts of Ireland would thus become an EC frontier, causing some serious political, as well as economic, repercussions. Nearly 10 percent of the Republic's exports go to Ulster. The increase in tariffs on such goods, without the present free trade agreement with the UK, would add to Dublin's overall drop in trade.

There have been indications that businessmen in Ulster are concerned about a possible UK withdrawal. One group visiting Brussels recently was told by EC officials that all outstanding loans to Northern Ireland businesses would be called immediately if London leaves the EC. Another group of local government officials visiting an EC capital were told that an independent Northern Ireland would not be excluded from membership if the UK or the Irish Republic did not object.
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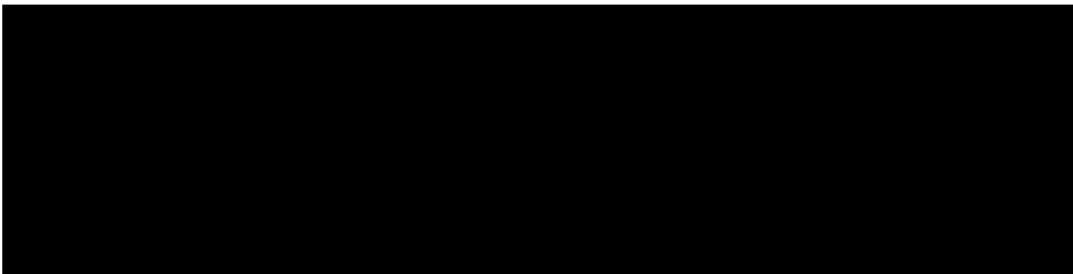
Anti-EC Sentiment High in Denmark

1 | A recent opinion poll suggests that a large majority of Danes would vote to leave the EC if the UK withdraws following its referendum next month.

2 | A Gallup poll in late April suggests that 74 percent of the Danes would favor withdrawal if the UK leads the way.

2 | This sentiment is not surprising, for polls since 1973 have registered consistent majorities favoring withdrawal. Danes tend to blame the country's economic ills, already of serious proportions before the recession hit last year, on membership in the Community.

2 | The results of the opinion polls will not have an immediate impact on Copenhagen's policy. The currently expected pro-EC outcome of the UK referendum should take a lot of starch out of the Danish opposition. Even if the British referendum goes against the EC, the Wilson government would first have to overcome its reluctance to withdraw, and then make alternate arrangements with the EC before Copenhagen would proceed to hold a referendum. (Confidential)



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Spanish Government Still Plagued by
Basque Terrorism

Political violence is increasing in northern Spain as continuing terrorism by Basque separatists has created a backlash of right-wing actions against suspected sympathizers of the Basque Fatherland and Liberty (ETA) guerrilla organization.

Four persons were killed in the Basque city of Guernica last week, including a Civil Guard officer--the third death of a police official within a week--and an ETA terrorist. The police have linked the guard's killing to members of a new ETA commando group which allegedly operates from France.

The incident has provoked anti-French demonstrations in the Basque provinces and is likely further to strain relations with Paris. Madrid's belief that the French have been too indulgent with Spanish Basques who take refuge across the border was highlighted at a recent rally in Bilbao where the Under Secretary of the Interior accused the French of abetting ETA terrorism.

Meanwhile, extreme rightists have responded to the actions of the Basque separatists by attacking, bombing, or destroying a number of business establishments belonging to persons believed to be sympathetic to the Basque cause. The church is now more deeply involved as a result of the beating last week of three pro-Basque priests. The papal nuncio in Madrid reportedly believes that these events have seriously strained the Spanish hierarchy's relations with the government.


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Rightists have also sharply criticized the Spanish government. Some 5,000 attended a rally in Bilbao on May 12 that was billed as a "national patriotic" demonstration. The rally had an old-time Falangist flavor and included circulation of a leaflet demanding Prime Minister Arias' resignation and replacement by "a government of national salvation." The rightist press has criticized the government for its failure to preserve public order in the Basque area, and one editorial signed by an anonymous general called on the government to "fight war with war."

The failure of the security restrictions imposed in two Basque provinces last month to fulfill the government's pledge to maintain order is likely to lead to even stricter measures including the imposition of a curfew in the Basque area. (Confidential)



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